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UNOPS FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS BUDGET ESTIMATES FOR THE BIENNIUM 1996-1997

Revised budget estimates for the biennium 1994-1995 and budget estimates for the biennium 1996-1997

Report of the Executive Director

I. INTRODUCTION

1. The Office for Project Services (OPS) was until 31 December 1994 part of the United Nations Development Programme (UNDP) and, as such, its budget for the biennium 1994-1995 was submitted by the Administrator as part of the UNDP budget. That budget consisted of: (a) budgetary resources (financed by income earned from the implementation of UNDP-funded projects) and (b) extrabudgetary resources (financed by income earned on cost-sharing projects, trust funds and management service agreements (MSAs). Such distinction is no longer meaningful in a self-financing entity and is therefore no longer made.

2. In its decision 94/32, the Executive Board established the United Nations Office for Project Services (UNOPS) as a self-financing, separate and identifiable entity with effect from 1 January 1995. In the same decision, the Executive Board took note of the breakdown of the revised 1994-1995 budget estimates for OPS, as contained in document DP/1994/62/Add.3/Corr.1 and determined that, in future, the biennial budget estimates for UNOPS be presented separately from those of UNDP. This is the first such presentation.

3. Article VI of the UNOPS Financial Regulations stipulates that the proposed biennial budget for UNOPS be submitted to the Executive Board through the Management Coordination Committee (MCC).

4. Consequently, the present document contains both the revised budget for the biennium 1994-1995 and the budget for the biennium 1996-1997. In accordance with UNOPS Financial Regulation 6.2, both budgets have been prepared on the basis of the latest estimates of expenditures and anticipated income. The MCC has endorsed the contents of the present document.

5. UNOPS is mindful of Executive Board decision 94/30, in which the Board requested the Administrator of UNDP and the Executive Director of UNFPA to cooperate with other United Nations programmes and funds to harmonize their presentation of budgets and accounts in order to achieve greater comparability and transparency. It is the intention of UNOPS to follow this guideline to the

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extent that it is consistent with the nature of its activities and special status as a self-financing entity. With respect to budget preparation, monitoring and review, UNOPS has adopted a financial management model (see chart in annex to present document), wherein current data, as they evolve, are processed on an iterative basis, entailing a continuous review of the demand for its services (finding its expression in the project portfolio) as well as regular and frequent monitoring of the actual delivery figures and resulting income. The variables of this model provide the parameters against which the administrative budget must be tailored. This is, of course, a model much different from those used by other United Nations organizations that operate under an approved programme of work and budget and have Member States making assessed or voluntary contributions.

II. REVISED ESTIMATED INCOME AND ADMINISTRATIVE EXPENDITURES FOR THE BIENNIUM 1994-1995

A. Income

6. Total income earned in the biennium had been anticipated to reach $68 million, on which basis the original administrative budget was established (see table 2). The revised income projections (see table 1 (a)) amount to approximately $59 million, or about $9 million less than originally anticipated.

7. The UNOPS portfolio increased significantly from year to year up to the end of 1993. Therefore, it seemed reasonable to assume, during the preparation of the 1994-1995 budget, that the UNOPS portfolio and, consequently, delivery and income would continue to grow.

8. However, the expected rate of growth did not materialize. A deficit was avoided by careful management and monitoring to ensure that administrative expenditures did not exceed income.

9. Based on the value of new projects accepted during 1994 and up to 31 May 1995, it would appear that UNOPS has reached a plateau. It is now estimated that the value of its portfolio as at the end of the years 1995, 1996 and 1997 will be approximately $1 billion, or an amount similar to that which was recorded at the end of the years 1993 and 1994. Therefore, no further growth is anticipated at this time; instead it is expected that the volume of activities will remain at about the same level as in 1993 and 1994. This assumption appears to be realistic and is therefore the basis for the revised estimates (as well as for the 1996-1997 budget).

10. Based on the actual performance in 1993 and 1994, it is estimated that peak budgets, i.e., total budgets before budget revisions in any of the following years, will reach approximately 65 per cent of the total value of the portfolio for that particular year, or an amount between $650 million and $670 million. As can be seen from table 1 (a), by the end of May 1995 the total of project budgets for 1995 had already reached $629 million. With this in mind, it is anticipated that total project expenditures will reach approximately $402 million in 1995, and $405 million for both 1996 and 1997. It is also anticipated that income for those years will be just slightly in excess of the amount earned in 1994, or between $30 million and $31 million per year.

11. The value of the UNOPS portfolio as of 31 May 1995 was $816 million, consisting of $310 million for projects funded by UNDP core funds (38 per cent of the total); $193 million for projects funded by UNDP-administered and other trust funds, such as the Global Environment Facility (GEF), the Montreal Protocol and the United Nations International Drug Control Programme (24 per cent of the total); and $313 million for MSAs (38 per cent of the

total). Additional projects expected to be assigned to UNOPS for implementation between May and the end of 1995 should bring the total close to $1 billion, as indicated above.

12. Up to 31 December 1993, the budgets of projects funded by UNDP core funds made up more than 50 per cent of the UNOPS portfolio. In part as a result of the increase in the national execution of UNDP-funded projects, the budgets of UNDP-funded projects executed by UNOPS have decreased gradually over the last few years. This decrease has been offset by increases in projects funded by trust funds (particularly GEF and Montreal Protocol) and MSAs. It is anticipated that this trend will continue in the foreseeable future.

B. Administrative expenditures

13. The budget for the biennium 1994-1995 was originally established at $68,226,200 (DP/1994/62/Add.3/Corr.1), providing for 241 posts: 91 Professional and 150 General Service. The breakdown of estimates were: $41,371,200 for established posts and common staff costs; and $26,855,000 for general operating costs, including $8,355,400 (14 per cent of UNOPS expenditures) for UNDP central services.

14. Actual expenditures in 1994 totalled $27,927,000 and in the five months ending 31 May 1995 the amount spent was $11,637,000. Based on these data, it is now estimated that administrative expenditures for the current biennium will total $58,439,000 (see table 2), i.e., $9,787,200 less than the amount originally estimated. As explained above, it is anticipated that total income in the same period will be approximately $59 million, an amount slightly in excess of estimated administrative expenditures. This matching will be a consequence of management action to curtail or adjust expenditures according to the variables of demand, delivery and income.

15. The costs for salaries (established posts), common staff costs and consequently for UNDP central services are lower than originally budgeted. This is a result of a conscious effort to maintain a high vacancy rate during the period in question.

16. Management considerations for maintaining such high vacancy rates were:

(a) Income. There were indications that actual income for the biennium would be less than expected;

(b) The Kuala Lumpur outpost. When a decision to establish the outpost was made in late 1994, UNOPS headquarters staff members were given assurances that no contract would be terminated as a result of the formation of the outpost. This decision led to a deliberate attempt to keep many of the General Service Posts vacant, especially in 1994. To the extent deemed necessary, the services were provided by personnel on temporary assistance contracts. This also explains the higher amount charged under this object of expenditure and compensated for by savings under "Salaries."

The outpost was established in early 1995 and consists of four Professional and eight General Service staff. All Professionals, along with their posts, were transferred from New York to Kuala Lumpur; General Service staff were hired locally. As promised, none of the headquarters staff lost their job.

In order to provide the needed eight General Service posts for the outpost, five posts were redeployed from headquarters and three new posts were established by the Executive Director under his authority. These posts were formerly on the staffing table of the UNDP Regional Service Centre in Kuala Lumpur and the incumbents were performing work on behalf of OPS, for which UNDP was

compensated. Therefore, the establishment of these new posts did not create additional costs;

(c) Appointments of limited duration (ALD). UNOPS has taken advantage of this new contractual modality for recruiting specialists whose services are required for high demand areas for which no long-term prospects exist at present. As of 31 May 1995, a total of 11 staff members were holders of ALD contracts; an additional three are under recruitment. All the ALD staff members are in the Professional category, and a total of seven have been hired in lieu of filling existing posts.

17. Following the establishment of the three General Service posts for Kuala Lumpur, UNOPS has now a total of 244 established posts (see table 3 (a)). The Executive Board is requested to endorse the establishment of these additional posts.

18. As mentioned above, vacant posts are filled only when necessary and justified by demand and projected income. Under current circumstances and given the fact that some of the new staff have been and will be recruited using the ALD contractual modality, UNOPS considers that the current number of approved posts is in excess of actual needs. Therefore, an overall review of the established posts will be conducted in autumn 1995 to determine which posts could be abolished and which should be maintained. The Executive Director intends to discuss this issue with the MCC before the end of the year and to submit his proposal to the Executive Board in early 1996.

III. PROJECTIONS OF INCOME AND ESTIMATED BUDGET EXPENDITURES FOR THE BIENNIUM 1996-1997

19. As explained above, UNOPS does not anticipate further growth at the present stage; it is anticipated that the portfolio will remain at the same level. Consequently, it is also anticipated that project expenditures and resulting income will remain at about the same levels as in the biennium 1994-1995, possibly with small increases in administrative costs arising from inflation.

20. Based on the above and as can be seen in table 1 (b), UNOPS anticipates a total delivery of approximately $810 million in the biennium 1996-1997, or $20 million ($10 million per year) more than the total delivery for the current biennium. It is expected that this delivery will generate income totalling about $61.5 million. On the other hand, administrative expenditures in the new biennium are anticipated to reach a total of $61.4 million (table 2). These estimates are based on trends experienced in 1994 and 1995, adjusted for small increases arising mainly from inflation.

21. UNOPS resources shall continue to be managed in a manner consistent with its self-financing status. The portfolio, budgets and expenditures, income, and administrative expenditures shall continue to be monitored and managed on a monthly basis so that timely action is taken to make the necessary adjustments.

22. A review of the variables of the UNOPS financial management model has already become a standing feature of the MCC meetings. Should the value of new project budgets accepted during 1996 and 1997 fall short of expectations, decisions will be made to cut costs, including staff costs, to levels compatible with the best income estimates. Such decisions shall be made in full consultation with the Management Coordination Committee and the Executive Board shall be informed as appropriate.

IV. EXECUTIVE BOARD ACTION

23. The Executive Board may wish to take note of the present report and endorse the establishment of the three additional General Service posts for the Kuala Lumpur outpost.

Annex

TABLES

UNOPS Financial Management Model

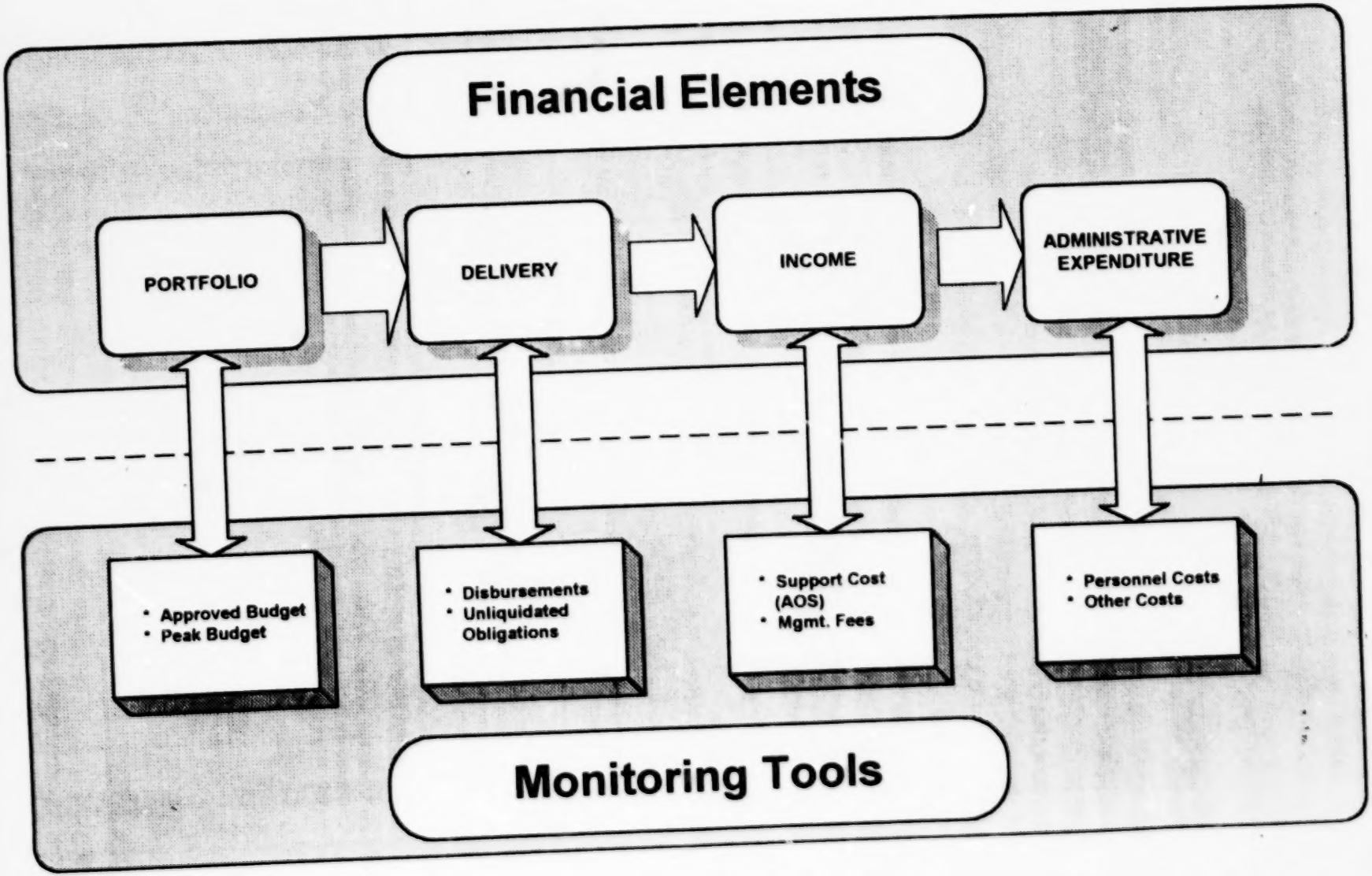

Table 1 (a). Revised projections of project expenditures (UNOPS delivery) and UNOPS income for the biennium 1994-1995 a/

(In thousands of dollars)

	Project budgets and delivery	Estimated income		
		Estimated income on delivery b/	Billings to IFAD c/	Total estimated income
Year 1994				
(a) Actual project budgets and income	387,219	26,248	2,779	29,027
Year 1995				
(b) Budgets of projects already accepted (Data as of 31 May 1995)	629,495			
(c) Expected additional 1995 budgets (for new projects expected to be accepted from 1 June to 31 December 1995)	40,000			
(d) Total estimated budgets at "peak level" for 1995 [(b)+(c)]	669,495			
(e) Estimated 1995 delivery [60% of "peak budgets" (d), and income]	401,697	27,227	3,000	30,227
(f) Total Unspent 1995 budgets [(d) - (e)] 80% of which is rephased to 1996 and 20% to 1997.	267,798			
(g) Total estimated delivery and income in the biennium [1994 (a) + 1995 (e)]	788,916	53,475	5,779	59,254

a/ Excluding portfolio, project expenditures and income related to the Programme of Assistance to the Palestinian Peoples (PAPP). UNOPS services to PAPP are limited to accounting and financial reporting, for which UNOPS receives from PAPP a total of $50,000 per year.

b/ The amounts for 1994 represent actual project expenditures and income earned in that year. For 1995 the estimated income was computed based on the same percentage of 1994 income in relation to 1994 project expenditures.

c/ For services rendered by OPS for loan administration and project supervision of IFAD projects. The IFAD loan drawdowns, which are not part of UNOPS delivery ($89 million in 1994), are reviewed and authorized for payment by UNOPS, with actual payment effected by IFAD.

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Table 1 (b). Revised projections of project expenditures (UNOPS delivery) and UNOPS income for the biennium 1996-1997 a/

(In thousands of dollars)

	Project budgets and delivery	Estimated income		
		Estimated income on delivery b/	Billings to IFAD c/	Total estimated income
Year 1996				
(a) Budgets of projects already accepted (Data as of 31 May 1995)	152,520			
(b) Rephasing of 1995 unspent budgets [80% of 267,798 (See (f) in Table 1. The rest is rephased to 1997)]	214,238			
(c) Estimated value of 1996 budgets of projects accepted from 1 June to 31 December 1995 and during 1996)	310,000			
(d) Total estimated 1996 budgets at "peak level" for 1996 [(a) + (b) + (c)]	676,758			
(e) Estimated 1996 delivery [60% of "peak budgets" (d), and income]	406,055	27,522	3,200	30,722
(f) Total unspent 1996 budgets [(d) - (e)] (80% of this amount is rephased to 1997)	270,703			
Year 1997				
(g) Budgets of projects already accepted (Data as of 31 May 1995)	23,531			
(h) Rephasing of unspent 1995 budgets (20% of 267,798 [(See (f) in Table 3	53,560			
(i) Rephasing of 1996 unspent budgets [80% of 270,703 . See (f) above]	216,563			
(j) Estimated value of 1997 budgets of projects accepted from 1 June to 31 Dec. 1995, and during 1996 and 1997)	380,000			
(k) Total estimated budgets at "peak level" for 1997. [(g) + (h) + (i) + (j)]	673,653			
(l) Estimated 1997 delivery [60% of "peak budgets" (k), and income]	404,192	27,396	3,400	30,796
(m) Total unspent 1997 budgets [(k) - (l)] (80% and 20% to be rephased to 1998 and 1999 respectively)	269,461			
(n) Total estimated delivery and income in the biennium [1996 (e) + 1997 (l)]	810,247	54,919	6,600	61,519

a/ Excluding portfolio, project expenditures and income related to the Programme of Assistance to the Palestinian Peoples (PAPP). UNOPS services to PAPP are limited to accounting and financial reporting, for which UNOPS receives from PAPP a total of $50,000 per year.

b/ The amounts for 1994 represent actual project expenditures and income earned in that year. For 1995 the estimated income was computed based on the same percentage of 1994 income in relation to 1994 project expenditures.

c/ For services rendered by OPS for loan administration and project supervision of IFAD projects. The IFAD loan drawdowns, which are not part of UNOPS delivery ($89 million in 1994), are reviewed and authorized for payment by UNOPS, with actual payment effected by IFAD.

Table 2. Revised budget estimates for the biennium 1994 -1995 and budget estimates for the biennium 1996-1997

(In thousands of dollars)

Object of expenditure	Approved estimates 1994 - 1995	Actual expenditure 1994	Estimated expenditure 1995	Revised estimates for biennium 1994-1995	Estimates for biennium 1996 - 1997
010 SALARIES	26,929.3	10,820.0	11,500.0	22,320.0	23,000.0
100 COMMON STAFF COSTS	14,441.9	6,053.0	6,500.0	12,553.0	13,000.0
030 TEMPORARY ASSISTANCE	610.2	1,234.0	1,200.0	2,434.0	2,000.0
070 ACTIVITIES OF LIMITED DURATION (ALDs)	950.0	241.0	800.0	1,041.0	2,500.0
040 CONSULTANTS	930.0	599.0	650.0	1,249.0	1,300.0
050 OVERTIME	551.5	118.0	130.0	248.0	250.0
220 OTHER STAFF TRAVEL	1,593.2	513.0	600.0	1,113.0	1,250.0
310 CONTRACTUAL PRINTING	250.0	32.0	50.0	82.0	90.0
330 TRANSLATION	95.5	(3.0)	50.0	47.0	50.0
340 SYSTEM DEVELOPMENT CONTRACTS	2,000.0	519.0	600.0	1,119.0	1,000.0
350 SUBCONTRACTS	1,100.0	306.0	350.0	656.0	700.0
410 RENT AND MAINTENANCE	4,855.0	2,057.0	2,100.0	4,157.0	4,400.0
420 UTILITIES	274.6	96.0	100.0	196.0	200.0
430 RENT AND MAINTENANCE OF EQUIPMENT	273.3	97.0	100.0	197.0	200.0
440 COMMUNICATIONS	1,948.0	912.0	950.0	1,862.0	1,900.0
450 HOSPITALITY	18.0	1.0	5.0	6.0	10.0
490 MISCELLANEOUS SERVICES	446.1	216.0	220.0	436.0	450.0
510 OFFICE SUPPLIES	897.8	223.0	230.0	453.0	500.0
610 OFFICE FURNITURE AND EQUIPMENT	441.2	58.0	100.0	158.0	115.0
620 MICROCOMPUTERS HARDWARE/SOFTWARE	717.9	330.0	350.0	680.0	700.0
630 TRANSPORTATION OF EQUIPMENT	16.0	0.0	30.0	30.0	20.0
710 REIMBURSEMENT FOR NYCS/ICC	531.3	14.0	150.0	164.0	250.0
Subtotal	**59,870.8**	**24,436.0**	**26,765.0**	**51,201.0**	**53,885.0**
750 REIMBURSEMENT FOR CENTRAL SERVICES a/	8,355.4	3,491.0	3,747.0	7,238.0	7,543.9
GRAND TOTAL	**68,226.2**	**27,927.0**	**30,512.0**	**58,439.0**	**61,428.9**

a/ Budgeted at 14 per cent of the total of all other expenditures

Table 3 (a). Staffing table

Post level	Approved (DP/1994/62/Add.3)	Reclassification a/	Additional posts b/	Revised staffing table
Professional and above				
ASG	1	0	0	1
D-2	1	0	0	1
D-1	9	0	0	9
P-5	31	0	0	31
P-4	29	0	0	29
P-3	16	0	0	16
P-2/1	4	0	0	4
Subtotal	**91**	**0**	**0**	**91**
General Service				
Principal level	49	-1	0	48
Other level	101	1	3	105
Subtotal	**150**	**0**	**3**	**153**
Grand total	**241**	**0**	**3**	**244**

a/ One G-6 post reclassified to G-5.

b/ Posts established by the Executive Director for the UNOPS Outpost in Kuala Lumpur.

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Table 3 (b). Distribution of posts (filled/vacant)

Post level	Revised staffing table (Table 3)	Filled (By reg. staff)	(By ALDs)	In process of recruitment	Vacant	Total
Professional and above						
ASG	1	1	0	0	0	1
D-2	1	1	0	0	0	1
D-1	9	6	0	0	3	9
P-5	31	29	0	0	2	31
P-4	29	21	5	2	1	29
P-3	16	12	2	1	1	16
P-2/1	4	1	0	0	3	4
Subtotal	91	71	7	3	10	91
General Service						
Principal level	48	48	0	0	0	48
Other level	105	85	0	2	18	105
Subtotal	153	133	0	2	18	153
Grand total	244	204	7	5	28	244

a/ Includes 3 additional posts established for Kuala Lumpur, Malaysia.

Source: OPS staffing list dated 16 June 1995.

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THE UNITED NATIONS DEVELOPMENT FUND FOR WOMEN

Report of the Administrator

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I. PURPOSE

1. As requested by the Executive Board in its decision 95/18, the following progress report on the United Nations Development Fund for Women (UNIFEM) has been prepared by the Administrator in cooperation with the Director. Before outlining the steps taken to re-establish UNIFEM on a sound financial basis, the Administrator and the Director wish to acknowledge the guidance provided by the Board at its annual session and assure the members that UNDP and UNIFEM have followed the recommendations of the Board in decision 95/18 for all the corrective measures that have been taken. UNDP and UNIFEM further wish to assure the Board that the recommendations contained in the Management Letter of the Board of Auditors are also being implemented through these corrective actions.

II. ADDRESSING THE FINANCIAL SITUATION

2. In paragraph 2 of its decision 95/18, the Executive Board requested the Administrator and the Director of UNIFEM to report to the Board on the implementation of the Management Letter of the Board of Auditors. The recommendations of this letter call for: careful assessment of actual income levels and actual expenditures; caution with respect to new project approvals; and improvements in Fund management. Information on steps taken by UNIFEM corresponding to these recommendations is given in paragraphs 3-13.

3. In response to the need for full accountability of the Director of UNIFEM to the Administrator, regular monthly meetings between the Administrator and Director began in June 1995. In these meetings, a statement is provided to the Administrator detailing the movement of UNIFEM general resources with indications of year-to-date actual income and expenditure, projected income and expenditure for 1995, actual and projected balance of general resources year-to-date and for 1995, actual use of the overdraft facility and projected use of the overdraft facility at end of 1995.

4. Periodic internal reports have been instituted for the following items, as stated in paragraph 59 of document DP/1995/33: income and expenditure including administrative costs (monthly); outstanding advances to executing agencies (monthly); resource availability by source of funds; current and future commitments; pledges; actual contributions and receivables by source of funds, donor and by projects (quarterly). These reviews are under the personal charge of the Director of UNIFEM.

5. UNIFEM has continued to pursue a vigorous fund-raising strategy to secure contributions to general resources from both traditional and new donor Governments, the private sector and individual donors. The Fund wishes to express its grateful appreciation to all Governments that have provided contributions to UNIFEM in 1995 and looks forward to receiving remaining pledged amounts during the third and fourth quarters of 1995. As of 30 June 1995, actual income received for general resources in 1995 was $8,446,482. A further $4.8 million is expected on the basis of pledges and traditional contributions. In addition, the Governments of India, Japan, the Netherlands, New Zealand and

Switzerland have indicated supplementary contributions totalling over $3.5 million to UNIFEM in 1995, for which the Fund expresses its deepest appreciation. As of 30 June 1995 therefore, the revised total projected income for 1995 is $16.7 million. This is $5.1 million over the estimated projected income level of $11.6 million shown in table 3 of document DP/1995/33.

6. In paragraph 9 of its decision 95/18, the Executive Board requested the Administrator to explore possibilities for the assumption and/or co-financing of relevant UNIFEM projects by UNDP. In pursuance of that decision, as of 14 July 1995, approximately $279,536 is expected from UNDP funds for 1995 budgets. Negotiations are being pursued with UNDP and UNFPA to secure further co-financing for 11 other projects. In addition, amounts of $20,000 and $350,000 have been committed respectively by the Pan-American Health Organization and the Government of Luxembourg under cost-sharing arrangements in 1995. UNIFEM is most appreciative of this support.

7. As a result of the increased projected income and reduction of ongoing project budgets through budget reductions and co-financing, general resources at the end of 1995 now indicate a positive balance of $1.56 million. This is in contrast to the $4.46 million deficit projected earlier, as shown in the table below.

8. With respect to monitoring project expenditures, the update of financial data in the Budget Management System (BMS) has been completed. All mandatory budget revisions to rephase unspent allocations from 1994 to 1995 and beyond were completed in July 1995. As of 30 June 1995, project budgets recorded in the BMS amounted to $19.72 million. Of this amount, $1.93 million relates to subtrust funds projects; the remaining $17.79 million represents project budgets against general resources and is distributed in the years 1995 to 1998 in the amount of $12.59 million, $3.77 million, $1.37 million and $0.05 million respectively. These figures reflect a slight reduction from the total project budgets of $18.38 million presented in table 3 of document DP/1995/33. Based on these outstanding commitments and the fact that there are no approved pipeline projects, the operational reserve calculation as at 30 June 1995 would be $3.22 million. Cash reserves at the same date totalled $4.0 million.

9. In order to ensure that project expenditure does not exceed allocation, a shadow budget system to track expenditures has been institutionalized. Since mid-June, no disbursement or authorization for expenditure is certified for UNIFEM-executed projects unless they are recorded on a worksheet that details by budget line current-year allocation, previous and presently requested authorizations, year-to-date expenditure and budget-line balance.

10. As of mid-July, UNIFEM has not undertaken any new projects under general resources.

UNIFEM general resources projections a/

(In millions of dollars)

	1995 Original projection (table 3 of DP/1995/33)	1995 Revised projections
Opening balance	1.00	1.00
Projected income	11.60	16.70
Government contributions	11.10	16.10
Private donations	0.50	0.60
Projected expenditures	17.06	16.14
Projects:	13.39	12.47
Ongoing projects	12.86	11.94 b/
New projects	0.53	0.53
Administrative costs	3.05	3.05
Technical support costs	0.62	0.62
Balance of general resources	(4.46)	1.56

a/ This table deals with general resources. With regard to project funding from other resources, cost-sharing expenditure in 1995 is estimated at $5.75 million. The balance of cost-sharing funds at the end of 1995 is estimated at $0.28 million. For subtrust funds, expenditures are estimated at $2.10 million in 1995, leaving a balance of $0.30 million at year-end.

b/ This figure has been reduced by $0.65 million from the figure given in table 3 of document DP/1995/33, on the basis of co-financing received or firmly committed. This figure also includes $0.27 million which has been reduced from the budgets of ongoing projects.

11. As a further step towards improved financial management, all UNIFEM Professional and General Service staff at headquarters were trained on the BMS in June. An intensive course on financial monitoring and review throughout the project cycle was also held. This was based on detailed guidelines underscoring actions required throughout the project cycle, the designation of staff responsible for each step, and the appropriate timeline for all actions. Training on project management will also be provided to project staff in UNIFEM programme countries.

12. Actions have been initiated to evaluate the functionality of the BMS and to define the requirements for migration to the Project Financial Management System (PFMS). UNDP Division for Administrative and Information Services (DAIS) in the Bureau for Finance and Administration has agreed to participate in the evaluation and to provide basic technical support to UNIFEM regarding such migration.

13. As a result of strict monitoring on income and expenditure, expenditures on both administrative costs and technical support costs are in line with the reduction indicated in paragraph 72 of document DP/1995/33. As of 30 June 1995, actual expenditure incurred on administrative costs and technical support costs represented 43 and 55 per cent respectively of the 1995 reduced budgets.

14. UNIFEM will report to the Executive Board on further adjustments to the administrative budget (beyond the freezing of the four posts already planned) once the implications of the Fourth World Conference on Women and the external evaluation is known. The Director appreciates the understanding of the Executive Board of the need for UNIFEM to retain a critical capacity, as recognized in decision 95/18.

15. In response to Executive Board decision 95/18, the Administrator wishes to report that further investigations have confirmed that the drawdown of the operational reserve in 1994 was due to the lapses in managerial and financial controls in UNIFEM, and the fact that the Bureau of Finance and Administration in UNDP neither had the measures in place, nor took a proactive role in its relationship with UNIFEM, to ensure that the latter's reporting responsibilities on its financial situation were properly followed.

16. The special panel of management convened by the Administrator has completed its review of the issues involving managerial accountability. Based on the panel's recommendations, the Administrator is taking appropriate measures and in pursuance of paragraph 13 of Executive Board decision 95/18 will inform the members of the Board accordingly.

III. UNDP/UNIFEM INTERFACE

17. A UNDP/DOF Finance Officer, who reports to both UNIFEM and UNDP/BFA, was outposted to UNIFEM on 7 June 1995. UNDP has also made available the services of a Senior Bureau Finance Officer to assist the outposted officer. As indicated elsewhere in the present report, initial actions have already been completed in several areas. In addition, the services offered to UNIFEM by UNDP will benefit from the further consolidation of the control functions of all programme and project funds into one unit in DOF that will report directly to the Director of Finance; this will be without prejudice to the managerial responsibilities and accountability of the respective fund managers and will not affect the legislative status of the Funds (see para. 94 of DP/1995/51).

18. With respect to close liaison between UNIFEM and UNDP/BFA, the first quarterly meeting between UNDP/DOF and UNIFEM was held in June 1995 to review the financial statements of 31 December 1994, received on 31 May 1995, and the related comments by UNDP/DOF. Required actions regarding outstanding advances

to executing agencies, cost-sharing and subtrust fund resources, and statements of unspent allocations were discussed, agreed on and are being implemented.

IV. EXTERNAL EVALUATION OF UNIFEM

19. In its decision 95/10 of 7 April 1995, the Executive Board called for an external evaluation of UNIFEM. At an informal meeting held during its annual session 1995, the Board reviewed the draft terms of reference for the external evaluation of UNIFEM, and requested that further information on the external evaluation be submitted at the third regular session 1995. In accordance with that request, the proposed scope of the evaluation, methodology, composition of the evaluation team, timetable and estimated budget are provided below.

A. Background

20. Paragraph 9 of the annex to General Assembly resolution 39/125 states that "The resources of the Fund shall be used mainly within two priority areas: first, to serve as a catalyst, with the goal of ensuring the appropriate involvement of women in mainstream development activities, as often as possible at the pre-investment stages; secondly to support innovative and experimental activities benefiting women in line with national and regional priorities." Through this mandate, the UNIFEM thrust is:

(a) To advocate for women's concerns and to catalyse other agencies in the United Nations system, development organizations and Governments to address these concerns; and

(b) To support innovative activities, with women's full participation, and, by demonstrating their effectiveness, to attract mainstream agencies to adopt and integrate them in their development programmes.

21. During its second regular session 1995, the Executive Board of UNDP and UNFPA was informed of the financial situation facing UNIFEM. As a result of the ensuing deliberations, the Board, in its decision 95/10, decided to consider the terms of reference and means of financing for an external evaluation of UNIFEM. Given the primary emphasis of both the internal and external audits on the financial situation, it is proposed that the external evaluation focus on programmes, impact and future directions of the Fund. Consequently, the review would cover programmes and project initiatives; the advocacy role of UNIFEM and its impact; and management policies and systems. In addition, the evaluation would, wherever deemed appropriate, also appraise financial aspects and issues as related to programme management and implementation. Field staff as well as key partners and beneficiaries would be consulted in addition to Headquarters staff.

B. Objectives

22. It is proposed that the evaluation undertake the following:

(a) Assess the overall efficiency, impact and sustainability of programme activities in fulfilling the Fund's mandate;

(b) Assess institutional capacity and structure of the Fund vis-à-vis resource utilization, programme delivery and management;

(c) Recommend new directions in light of the UNIFEM role in the empowerment of women, the outcomes of United Nations World Conferences, in particular the Fourth World Conference on Women, and the findings of the evaluation study.

C. Scope of the evaluation

23. It is proposed that the evaluation focus primarily on programming aspects and issues, and secondarily on management policies and systems. The areas of concern will include: (a) programme strategies; (b) programme performance; (c) advocacy; and (d) management. Specific issues to be addressed under each of these categories are as follows:

1. Programme strategies

24. The key issue areas for the assessment of programme strategies are:

(a) Extent to which UNIFEM strategies succeed in fulfilling the Fund's mandate and in meeting the needs of women in developing countries;

(b) Ability of UNIFEM to incorporate in its strategies crucial issues confronting women;

(c) Adequacy of UNIFEM resources to enable it to implement its strategies.

2. Programme performance

25. Given the importance of UNIFEM work, particularly in terms of meeting women's practical and strategic needs and in terms of empowering women, the key issue areas for assessment of programme performance are:

(a) Quality of programme implementation, including monitoring mechanisms, constraints, and technical backstopping;

(b) Extent to which UNIFEM support to women's groups, networks and coalitions have strengthened the capacity of these groups to contribute to women's empowerment and gender-sensitive development;

(c) Capacity of non-governmental organizations (NGOs) implementing UNIFEM programmes to comply with reporting requirements;

(d) Effectiveness of initiatives aimed at mainstreaming gender concerns, particularly those meant to bring about gender-sensitive development planning;

(e) Sustainability of UNIFEM interventions in the context of constraints and problems that particularly affect women in developing countries and women living in poverty;

(f) Availability of technical and sectoral expertise in terms of programme development and implementation.

3. Advocacy

26. Given the UNIFEM mandate to advocate for the participation of women in development at global, regional and national levels, the key issue areas for assessment are:

(a) Extent to which UNIFEM has helped in increasing awareness of gender issues by influencing the agenda of international conferences and by working with regional and international organizations;

(b) Impact of the "brokering" role of UNIFEM in terms of assisting women's groups to influence national policies and programmes;

(c) Catalytic impact of advocacy for women's and gender issues in the context of resource limitations and time constraints;

(d) Adequacy of advocacy tools used, including impact of documentation and dissemination of experiences in working with women.

4. Management

27. The key issue areas for the assessment of management are:

(a) Effectiveness of reporting, administrative and financial systems for programme management;

(b) UNIFEM organizational structure vis-à-vis clear and direct lines of authority, responsibility, communication, and accountability among staff.

D. Methodology

28. It is proposed that the evaluation of UNIFEM take place in three phases. The first phase would focus on analysis of key documents and preliminary meetings, with site visits and interviews to take place in the second phase. The third phase would entail a final round of interviews with headquarters staff and finalization of the evaluation report.

Phase 1: New York

29. The first phase would consist of the following:

(a) Introductory meetings. Briefing on UNIFEM organizational matters, including historical overview, mandate and mission; overview of operational matters including management and administration; programme development and management systems. These meetings will include key UNDP senior management staff;

(b) Document review. Review of key documents, including policy, programme and project-related documents, as well as any relevant documents, such as key thematic evaluations and publications that demonstrate UNIFEM experience in working with women;

(c) Sample identification. Criteria for selection of sample to be developed after review of documents; countries/projects to be visited, including key people to be interviewed and questionnaire administered to others that cannot be visited; programme sample representing range of key sectors in which UNIFEM works, including advocacy initiatives; management sample, including policies and systems;

(d) Interviews. Initial round of interviews with select number of staff, both individually and in groups, as appropriate.

Phase 2: Field

30. The second phase would consist of the following:

(a) Site visits. For countries to be determined during phase 1. Visit actual project sites to meet participants as well as staff from implementing agencies. Interview sample to include UNIFEM advisers, staff from collaborating agencies, UNDP and national ministries as well as other relevant organizations with which UNIFEM works;

(b) Report to be drafted and circulated for initial feedback.

Phase 3: New York

31. The third phase would consist of:

(a) Interviews with staff from UNIFEM and UNDP, the United Nations Population Fund, United Nations Children's Fund and any other agencies in New York;

(b) Finalization and submission of report to respective focal points.

E. Composition of the evaluation team

32. Given the scope of the evaluation, a minimum of four people would be needed. Considering the mandate and mission of UNIFEM it is expected that all

members of the team will be familiar with gender issues and that this is an essential aspect of their technical specialties.

33. The team leader should be a women-in-development/gender-in-development specialist with substantive as well as operational experience in designing programmes for women in developing countries. Experience in implementing gender-sensitive development planning and institution-building is essential. Expertise in evaluation methodology, design and implementation, particularly in relation to programme performance, capacity-building and impact assessment, is necessary. It is expected that the team leader will have an academic background in an international development-related discipline.

34. The second member of the team should be a development economist and have experience with women's economic empowerment at both micro and macro levels. Experience with the promotion of women's commercial activities is essential.

35. The third member of the team should have a background in the social sciences with experience in building women's capacity in areas of leadership and political empowerment. Familiarity with issues of governance at the national and international levels, as well as experience with women's machineries and women's NGOs, is necessary.

36. The fourth member of the team should have a background in organizational development and management. Experience in working with development agencies, particularly United Nations agencies, and knowledge of issues related to the delivery of development assistance and assessing programme management policies and systems is essential.

F. Timetable

37. In order to ensure that UNIFEM is able to act on the critical recommendations emanating from the Fourth World Conference on Women, it is proposed that the external evaluation should commence as soon as possible and no later than 15 November 1995. By this date it will be possible to complete preparatory work and establish the management process for the evaluation. Given the expected duration of the evaluation, it is anticipated that the final report of the external evaluation will be available by the end of February 1996.

38. The following implementation timetable is proposed:

New York:	Phase 1:	briefing, review of documents	2 weeks
		interviews with key staff	1 week
Field:	Phase 2:	interviews with beneficiaries and partners, and UNIFEM regional programme advisers	6 weeks
New York:	Phase 3:	remainder of interviews with staff and finalization of report	2 weeks

G. Estimated budget

39. Based on a team of four people, the estimated costs are shown below:

Item	$
Fees and per diem	138 000
2 consultants x 400 x 85 days	
2 consultants x 250 x 80 days	
Travel	50 000
6 countries	
Reporting costs	5 000
Report preparation, mailing and distribution	
Total	193 000

40. In line with the announcements of some delegations at the annual session, it is anticipated that the costs of the evaluation will be met through contributions from members of the Executive Board.

V. EXECUTIVE BOARD ACTION

41. The Executive Board may wish to:

(a) Take note of the present report;

(b) Approve the proposed objectives, scope of evaluation, methodology, composition of the evaluation, timetable and estimated budget for the external evaluation;

(c) Invite members to pledge contributions towards the costs of the external evaluation.

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UNITED NATIONS POPULATION FUND

GLOBAL INITIATIVE ON CONTRACEPTIVE REQUIREMENTS AND LOGISTICS MANAGEMENT NEEDS IN DEVELOPING COUNTRIES IN THE 1990s

Report of the Executive Director

1. This report has been prepared in response to Executive Board decision 95/21, in which the Executive Board took note of the report on the Global Initiative on Contraceptive Requirements and Logistics Management Needs in Developing Countries in the 1990s contained in document DP/1995/24/Part II, and requested the Executive Director to submit to the Board at its third regular session of 1995 a proposal, in the context of the proposed UNFPA intercountry programme, for the continuation of the Global Initiative beyond 1995, including therein an outline of the objectives, modalities and procedures for a possible future global contraceptive arrangement.

A. Proposal for the continuation of the Global Initiative

2. Since 1992, the activities of the Global Initiative have been implemented by a secretariat consisting of two professional and one support staff. This secretariat is directly supervised by the Chief, Reproductive Health Branch and is under the overall management of the Deputy Executive Director (Technical Services). During this period, funds to support the secretariat were provided by the Australian Agency for International Development (AusAID), the Rockefeller Foundation, the Swedish International Development Authority (SIDA) and the World Bank. Funds for consultants, mission costs and publications have been provided by UNFPA, and in the case of the country studies these have been supplemented by a number of partners including: the Canadian International Development Agency (CIDA), the International Planned Parenthood Federation (IPPF), the British Overseas Development Administration (ODA), The Population Council, The Rockefeller Foundation, SIDA, the United States

Agency for International Development (USAID), the World Bank and the World Health Organization/Global Programme on AIDS. Current funding will come to an end in 1995.

3. The Consultative Group on Contraceptive Requirements at its annual meetings in June 1994 and June 1995, endorsed the work of the Global Initiative and recommended that the secretariat of the Global Initiative should be made an integral part of UNFPA. The meetings emphasized that the time had come to institutionalize the work of the Global Initiative at UNFPA. The Executive Board in decision 94/19 endorsed the continuation of the Global Initiative and authorized the Executive Director to make appropriate arrangements through the use of project funds to continue the work of the secretariat of the Global Initiative for a further two-year period. As noted above, at its annual session in June 1995, the Executive Board in decision 95/21 requested the Executive Director to submit a proposal for the continuation of the Global Initiative.

4. In the context of the UNFPA intercountry programme for 1996-1999 (see document DP/1995/44), the Fund proposes that the secretariat of the Global Initiative, consisting of two professionals and one general staff, be continued. Activities proposed to be undertaken by the Global Initiative during the next four years include: medium-term follow-up to the in-depth studies; technical assistance and training in logistics management and forecasting; development and regular updating of the contraceptive commodity database; publication of additional technical reports; development of mechanisms for coordinated procurement; and monitoring of country follow-up action plans. As in the past, UNFPA expects to continue close collaboration with all its partners in these activities.

5. The implementation of these activities over the next four years is contingent upon the continuation of the current institutional arrangements, specifically, the three-person secretariat as mentioned above, and the provision of $2 million.

B. Global contraceptive arrangement

Background

6. The idea of setting up a global contraceptive commodity facility (which is referred to as the global contraceptive arrangement in the Executive Board decision) had first been discussed by the Consultative Group on Contraceptive Requirements four years ago. This was deemed necessary for a variety of reasons: to ensure that all developing countries were able to secure contraceptives at the lowest possible cost; to ensure that the contraceptives provided were of appropriate quality; and to facilitate a prompt response to urgent demands in order to avert potentially critical disruptions to contraceptive supply and the resultant problems.

7. Although the first two issues were often addressed via a combination of existing channels, the last issue remained a key problem. In this respect, discussions between agencies involved in the provision of contraceptives have noted considerable increases in the number of urgent requests being

received. Numerous examples may be cited in recent years where developing countries have faced the prospect of critical shortages or depletions of essential contraceptives (for example: Pakistan, IUDs; Bangladesh, condoms; Niger, injectables; and Egypt, injectables). Regrettably, prompt response to such demands is often impossible due to lack of dedicated funding and the fact that no stock of commonly required contraceptive products are maintained. In this context it is noted that UNFPA, in line with prevailing rules and regulations, can only procure upon receipt of a firm demand and only after dedicated funds have specifically been made available. The subsequent lead-time for many contraceptive products is therefore months rather than weeks. The prompt response required in the event of pending supply disruption is consequently precluded under the existing system.

8. When the idea of the global contraceptive commodity facility arose, it was decided to first conduct a series of twelve in-depth country studies on contraceptive requirements and logistics management needs in order to better understand the scope and extent of the problem. These studies were completed earlier this year. In early 1995, with funding from the Rockefeller Foundation, UNFPA engaged a consultant to prepare a draft discussion paper on the need and feasibility of a global contraceptive commodity facility. The discussion paper examined, inter alia, a number of institutional arrangements for such a facility: (a) to establish the facility as an integral part of UNFPA with either adequate staff at UNFPA headquarters or with a small staff at UNFPA headquarters supplemented by project personnel; (b) to establish the facility as a special project of UNFPA; (c) to establish the facility under an alternative United Nations agency or organization that already had experience in the area of procurement such as UNICEF's warehouse operation in Copenhagen, UNDP's Inter-agency Procurement Services Office (UNDP/IAPSO), or the United Nations Office of Project Services (UNOPS); (d) to request the IPPF in London to set up a semi-autonomous institution under the control of a board whose members would be donors to the facility and such other persons as they might wish to include; and (e) to establish a separate, independent institution responsible to its own board, which would include representatives from the donors to the global contraceptive commodity facility and such other members as the contributing donors might wish to include.

9. This paper was discussed and further elaborated on at both the Working Group Meeting on 27 February 1995 and the Consultative Group Meeting on 2 June 1995 held at United Nations Headquarters in New York. It was agreed that the preferred option was for UNFPA to undertake the establishment and management of a global contraceptive commodity facility. The Consultative Group endorsed the establishment of such a facility and recommended that this suggestion be placed before the Executive Board at its annual session commencing 5 June 1995.

10. Objective. The primary objective of such a contraceptive commodity facility would be to respond promptly to increasing requests for the emergency provision of contraceptives supplies from developing countries and, in so doing, to eliminate discontinuities in the supply of contraceptives. The facility would ensure that the products provided complied with WHO quality standards and were made available at the lowest possible cost in order to ensure the most cost- effective utilization of donor funding.

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11. Mechanism. The facility would operate under the principle of a "revolving fund" managed as a trust fund by the Procurement Unit of the Division of Finance, Personnel and Administration (DFPA), UNFPA.

12. Rationale. The lead-time required from the initiation of a request for contraceptives to the time of delivery to the recipient programme comprises numerous elements. However, two major factors contribute to the largest part of this lead-time. The first factor is the availability of funding, and the second is the actual production time for the contraceptive concerned. Both are inextricably linked. It is not possible, under current UNFPA financial regulations, to issue a purchase order or binding legal commitment to procure any products without first having the necessary funds to cover the financial obligation incurred. Similarly, production by the manufacturer is generally not initiated without first having a formal binding request in the form of a purchase order.

13. It is therefore necessary to have dedicated funds to initiate the procurement process (purchase order) which in turn facilitates manufacture of the desired contraceptive products. Given that the range of contraceptives provided by UNFPA, and indeed all donor agencies, is finite and that packaging and presentation is common and accepted throughout the international public sector with only a few exceptions, it is possible to procure a limited range of contraceptives that may be supplied to a wide range of possible recipients. However, in order to procure specific quantities of this finite range of commonly-requested contraceptives a critical mass of dedicated funding is required.

14. Based upon previous experience of emergency requirements, and upon the time lag needed to replenish this funding, it is proposed that the revolving fund comprise a minimum of $2 million, and ideally $5 million.

Modalities and procedures

15. There are three prerequisites necessary for the establishment of the proposed facility: funding; staffing; and operational criteria.

16. Funding. The intent is to set up a "revolving fund" managed as a trust fund by UNFPA. UNFPA would provide the initial funds (in the amount of $2 million) required to commence this arrangement. Additional funds would be sought from interested donor organizations to increase the amount held to $5 million in order to ensure continuity of response. Replenishment of this facility would be accomplished by: (a) recovering funds from UNFPA country programmes; (b) recovering funds from national Governments and their ministries of health; (c) reimbursement by donors. Consideration may also be given to charging a fee or facility premium. This fee or premium would be ploughed back into the facility to increase the amount of available funds and/or would be utilized to offset overhead costs. A facility premium might also help to ensure that requests made to the facility were specifically of an emergency nature and not regular requirements.

17. Staffing. Current staffing levels within UNFPA are not adequate to initiate or manage this global contraceptive facility. The following project personnel requirements are envisaged: (a) finance assistant (G6 level); and (b) procurement adviser (L4 level). The finance assistant would be based either within the Finance Branch or within the Procurement Unit in order to ensure that the revolving fund is appropriately administered and that satisfactory financial statements are periodically produced as required by the donors to the facility. The procurement adviser would be required to assist the existing procurement staff in the establishment and administration of dedicated buffer stocks of essential contraceptives to facilitate prompt response to emergency requests. The individual concerned based in the Procurement Unit and reporting to the Senior Procurement Officer would be responsible for ensuring that the guidelines and criteria were strictly applied. The procurement adviser would provide periodic updates and reports on the work of the facility in order for the Executive Board to assess its effectiveness and to recommend any modifications to its operation.

18. It should be underscored that it would not be viable to operate this facility without additional staff. Experience to date with externally-funded procurements has demonstrated that most are invariably more time consuming than standard UNFPA core-funded procurements. In this context it is envisaged that a considerable amount of work would be generated in managing the trust funds, settling invoices and providing periodic financial statements. Further, given that this facility may operate on the basis of combined funds from multiple sources and upon the principle of a "revolving fund", the bookkeeping and monitoring process would be even more complex. Therefore, a relatively senior level general service staff member (G6) would be required to provide dedicated support to the global contraceptive commodity facility and resultant procurement activities.

19. Operational criteria. Such criteria would, inter alia, determine whether requests received were eligible for support from the global facility (eligibility criteria) and provide guidelines concerning the operation of the facility (operating guidelines).

20. The eligibility criteria would include: the reason for the emergency request (justification); current stockholding situation and in-country demand; potential alternative aid sources and contraceptives within the supply pipeline; national ability to respond and react in procuring necessary products directly.

21. The staff of the global facility, in close cooperation with the UNFPA Procurement Unit, would execute requests meeting any stipulated criteria for the recipient programme for a pre-agreed range of contraceptive products. However, such requests would first be evaluated by the appropriate division and then submitted to the Contracts Review Committee (CRC) for review and approval.

22. Under the operating guidelines, the facility would only procure a small range of commonly required contraceptive products from established manufacturers adhering to the existing financial regulations and rules currently dictating UNFPA procurement practice. Brand preference would be actively discouraged but may be permissible given formal justification. The facility would ideally

procure contraceptives by pharmaceutical composition or generic description within pre-agreed (i.e., WHO-approved) specifications at the lowest available international price.

23. Having procured a pre-agreed range and volume of standard contraceptives, the facility could either ship these commodities to a warehouse facility (e.g. UNICEF, Copenhagen) to be called on as required and consigned to the designated recipient country or it could negotiate with the respective manufacturers, prior to procurement, to hold the items in stock at the manufacturers' premises, to be segregated and held ready for immediate shipment to the agreed recipient. It is felt that the second of these two possibilities is the preferred option because it would not incur additional freight charges to an interim (warehouse) destination; UNFPA would not be required to set up a warehousing function that would incur further costs and might have additional staffing implications; and UNFPA could ensure that stocks held were "fresh", i.e., items held by the manufacturer would be regularly replenished to ensure optimum shelf-life.

C. Elements for a decision

24. The Executive board may wish to:

(a) Take note of the report, as contained in document DP/1995/62;

(b) Endorse the establishment of a global contraceptive commodity facility, to be managed by UNFPA;

(c) Further endorse the modalities and procedures required to establish such a facility as presented in paragraphs 15-23 of the report.

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